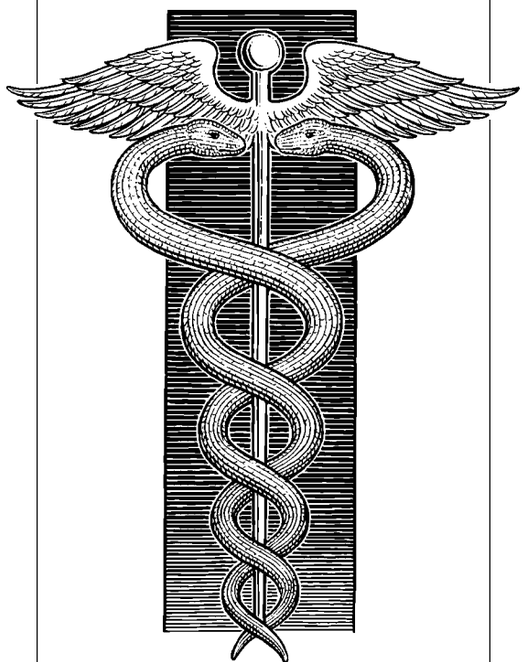
Main Points

- Individuals have 60 days from the date of the COBRA notification letter to complete and return the application to the Division of Insurance Administration.
- To be eligible for COBRA, individuals must already be participants in the state's group health or dental program. COBRA participants may add new dependents within 60 days of the date the dependent is acquired.
- All past due premiums are due no later than 45 days after the initial application is signed. COBRA premiums are not pro-rated.
- The state will bill participants each month for COBRA coverage. These billings are generated on approximately the 5th of each month for the following month's coverage. All premiums are due the last day of the month for the following month's coverage.
- Failure to pay premiums by the due date, regardless of being notified, is the responsibility of the participant. Coverage will automatically be terminated and cannot be reinstated if the correct monthly premium is not paid by the end of the month.
- The Division of Insurance Administration must be notified if the employee's and/or dependent's mailing address changes, or they become Medicare eligible or insured with another group health plan.
- Acceptance of payment neither guarantees coverage nor ensures eligibility.
- No one may extend coverage through COBRA for more than a total of 36 consecutive months from one employer.

TN Department of Finance and Administration.
Authorization Number 317300. December 2002.
20,000 copies. This public document was promulgated at a cost of $0.07 per copy.

Continuing Insurance Through

COBRA



Eligibility rules for participation in the state group insurance program through COBRA are based on the policies of the group insurance program and federal legislation.

Medical benefits through COBRA follow the same restrictions and guidelines as the state's group health plans. Benefits are outlined in the employee *Insurance Handbook* and the *Plan Document*.

What Is COBRA?

The Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) is a federal law that allows eligible employees and/or dependents (spouse and children) who are losing their health or dental benefits to continue coverage in certain circumstances where coverage might otherwise end. Qualified beneficiaries may be eligible to continue coverage for a specific length of time following certain qualifying events. Through COBRA, individuals pay the entire monthly premium plus a two percent administrative fee, and may be able to remain insured with their health plan for up to 18, 29, or 36 months.

All COBRA benefit questions should be directed to the Division of Insurance Administration at 615.741.3590 or 1.800.253.9981. Current premiums are available from the Division of Insurance Administration or an agency's insurance preparer.

Who Is Eligible?

COBRA coverage is available to qualified beneficiaries. Qualified beneficiaries include an employee, the employee's eligible spouse and dependent children who were covered under the state group insurance program immediately prior to termination.

Qualifying Events for Employees

Employees already insured may continue single or family health or dental coverage for a maximum of 18 months if coverage is lost due to one of the following events:

- Employment is terminated (either voluntary or involuntary) for any reason other than gross misconduct
- Work hours are reduced below the eligibility criteria making the employee ineligible for coverage (example: changing to a part-time position)

Qualifying Events for Dependents

Dependents already insured may continue coverage under COBRA for 18 months based on the events listed for employees. Furthermore, dependents may continue coverage for an additional 18 months—maximum of 36 months—if coverage is lost due to one of the following events:

- The employee's death
- The employee and spouse divorce
- The employee becomes entitled to Medicare after enrolling in COBRA
- A dependent child is no longer eligible as a dependent (married, in the armed forces on a full-time basis, over age 24 unless incapacitated, etc.)

If an employee is Medicare eligible or enrolled in another group health plan at the time they experience a qualifying event, they may enroll in COBRA coverage. However, an employee continuing coverage through COBRA who later becomes Medicare eligible or enrolls in another group health plan may no longer continue COBRA coverage. The group health plan enrollment restriction will be waived if the other group health plan has a pre-existing condition clause and a condition exists that is not covered by the other plan.

No one may extend health coverage through COBRA for more than 36 consecutive months from one employer. (For example, if the extension of coverage for a family began with the 18-month period and one of the covered dependent children becomes ineligible because of the age limit for dependents, the child must transfer to an individual COBRA contract to continue the 36 months coverage. The dependent's total months of coverage with both contracts may not exceed 36 months.)

Disability Extension

If a qualified beneficiary on an 18-month COBRA extension is determined by the Social Security Administration (SSA) to have been disabled at any time during the first 60 days of COBRA coverage, the former employee and covered dependents may be eligible to continue coverage for an additional 11 months with an increase (150 percent of the total monthly premium) in payment after the 18th month. If the individual entitled to the disability extension has non-disabled family members who are qualified beneficiaries and have COBRA coverage due to the same initial qualifying event, those non-disabled qualified beneficiaries will also be entitled to this 11-month disability extension.

In order to qualify, an award letter from the SSA must be sent by the COBRA participant to the Division of Insurance Administration before the expiration of the 18-month qualifying event of SSA's disability determination. To expedite this extension, the participant should submit this documentation within 60 days after receipt of the award letter.

Coverage for disabled participants who qualify for this extension will end when the SSA determines the participant is no longer disabled or the extension period has ended. The COBRA participant must notify the Division of Insurance Administration within 30 days if SSA determines that the individual is no longer disabled.

How Do I Enroll?

Participation in COBRA is not automatic. To continue coverage, the employee or dependent must follow two important guidelines.

1) The employee or dependent must complete, sign and return a COBRA application to the Division of Insurance Administration within 60 days of the latter of the date coverage would end or the date on the notification letter. If the participant becomes covered with another insurance plan, the participant may only continue COBRA coverage with the state if their new coverage has a pre-existing condition clause. In these instances written documentation must be submitted from the employer or claims administrator explaining that plan's pre-existing condition clause and how long it applies. A letter from a physician stating the pre-existing condition must also be submitted.

2) As there must not be a lapse in coverage, past due premium payments must be sent to the state within 45 days of the date the application is signed by the appropriate person. Claims will not be processed until such time as all current premiums are paid.

The Division of Insurance Administration will send a COBRA notification letter with an application to an employee's home address automatically within 30 days from the date insurance coverage terminates if:

- An employee's job terminated
- A job appointment changed causing reduced work hours
- An employee dies

It is very important that the application be signed by the appropriate person. This would be:

- The employee, if the employee is continuing coverage
- The dependent (ex-spouse, widow, or single dependent) wanting to continue coverage
- The oldest child, if only children are extending family coverage

Employees and/or dependents continue the same coverage they had when active. The same eligibility, benefits, guidelines and restrictions apply. There will be no change in the process for submitting claims and, for claims purposes, the identification number will remain the same. If a COBRA participant moves out of a designated healthcare service area or out of the state, they must change their coverage to the appropriate vendor for that area.

When Will Coverage End?

Continuation of coverage through COBRA will end on the earliest of the following:

- The premium is not paid by the due date.
- The date after electing COBRA that the employee or dependent first becomes insured with another group health plan. (If the other plan contains a pre-existing condition clause that affects the covered individual, coverage will not end for that individual as long as the exclusion or limitation applies.)
- The date after electing COBRA that the participant or dependent first becomes eligible for Medicare (refer to Medicare provision).
- The date the employee or dependent no longer meets the plan's eligibility guidelines.
- The last day of the appropriate 18-, 29- or 36-month extension period.
- The plan terminates.

When any of these events occur, the employee or dependent is no longer eligible to continue health coverage through COBRA. It is the participant's responsibility to notify the Division of Insurance Administration, in writing, when they become ineligible under these guidelines. Legal action will be taken to recover any benefits provided to an enrollee who was not eligible for coverage. All questions concerning eligibility rules should be directed to the Division of Insurance Administration.

Medicare Provision

If a former employee becomes entitled to Medicare during an 18-month extension they may not continue COBRA coverage. However, the covered eligible dependents may continue coverage under a separate contract for a total of 36 months from the date of the first event (including the months of coverage under the former employee's contract). The former employee must provide documentation of Medicare entitlement to the Division of Insurance Administration before the end of the 18-month extension.

Premiums

COBRA premiums are equal to 102 percent of the total monthly premium (employee and employer contribution). Premium payments are due by the last day of the month for the following month's coverage. Premium payments are automatically set up on a cash basis, where the participant sends a check for the premium. If desired, we can automatically deduct the premium electronically from the participant's bank account each month. The necessary forms may be obtained from the COBRA representative in the Division of Insurance Administration.

Premiums must be paid by the enrollee from the day coverage would have terminated. Payment must cover the period of coverage from the date of the COBRA election retroactive to the date of the loss of coverage due to the qualifying event. Payment of past due premiums is due within 45 days of the date the application is signed and mailed.

Acceptance of payments by the state does not guarantee coverage. If an employee and/or dependent is not eligible to extend coverage through COBRA or becomes ineligible after the extension begins, any premium payment(s) made after ineligibility occurs will be refunded to the employee or dependent. Any paid medical claims must be refunded to the appropriate health plan by the employee or dependent.

Contact Information

Division of Insurance Administration
312 Eighth Avenue North
1300 William R. Snodgrass Tennessee Tower
Nashville, TN 37243-0295
Phone: 615.741.3590 or 1.800.253.9981
www.state.tn.us/finance/ins/